

Re: Request a Hearing and Investigation for a Wireless Divestiture, Separating AT&T and Verizon Wireless from their Incumbent Wires (Broadband/Landlines).

Teletruth and New Networks Institute have filed a Petition to Deny the AT&T-T-Mobile merger with the FCC and have called for an evidentiary hearing to air the issues we raised.

However, it is not enough. Teletruth and New Networks Institute are rightly requesting Congress immediately start proceedings for a wireless divestiture, separating AT&T and Verizon's wireless holdings from their incumbent wires, including phone, broadband and Internet. AT&T and Verizon, who do not compete with each other for wireline/broadband services, are also the 2 largest wireless services and potentially getting larger through mergers, not competition.

While it is important to stop the AT&T- T-Mobile merger --- Let the wireline and wireless companies really compete and not, as we will discuss, collude between the wireline and wireless vertically integrated services and networks. It harms the economy and harms customers.

There are a host of issues Congress should investigate and over the next few months we will be presenting new research and analysis. But to start, let us be very specific: (We have previously filed complaints with the FCC over these issues. It is time Congress addresses these issues.)

1) AT&T, T-Mobile, Verizon and Other Very Large Wireless Companies Posed as 'Very Small Businesses' to Get an Estimated \$8 Billion Dollars in 'Small Business' Discounted Wireless Spectrum.

Here is a direct quote from the AT&T (formerly Cingular) 2002 Annual Report.

"The Company has investments in affiliates?The more significant of these investments are GSM Facilities, LLC (Factory), a jointly-controlled infrastructure venture with T-Mobile for networks in the New York City metropolitan area, California and Nevada, and Salmon, formed to bid as a "very small business" on FCC licenses and build out and operate wireless voice and data communications systems using those licenses."

This blocked real small business wireless competition by out-bidding them and allowed the very large companies to deceive the public. This should be investigated before any merger. We ask: Should the spectrum be given to authentic small business competitors.

Read Teletruth's Former Small Business Spectrum Complaint:

<http://www.teletruth.org/docs/wirelesscomplaintfin.pdf>

2) The FCC's Spectrum and Small Business Competition Market Analysis is from 1997, 1999, and 2001.

This next quote is in almost every FCC docket from 2010-2011, including all broadband, net neutrality and wireless proceedings. It is about small business spectrum. It is from 1997 and it is the basis for the small business market analysis presented in 2011.

"Wireless Communications Services. This service can be used for fixed, mobile, radiolocation, and digital audio broadcasting satellite uses. The Commission established small business size standards for the wireless communications services (WCS) auction. A 'small business' is an entity with average gross revenues of \$40 million for each of the three preceding years, and a 'very small business' is an entity with average gross revenues of \$15 million for each of the three preceding years. The SBA has approved these small business size standards. [1] The Commission auctioned geographic area licenses in the WCS service. In the auction, held in April 1997, there were seven winning bidders that qualified as 'very small business' entities, and one that qualified as a 'small business' entity."
(Emphasis added)

Any 3rd grader writing a report would ask - What happened since 1997? This is just one of many different market analyses, some from 1999, 2000 or 2001. The FCC is the overseer of spectrum has avoided an investigation to fix this data (we've filed multiple complaints) because they would find that the large companies essentially gamed the regulatory system, costing the government billions and harming America's competitors as well as customers. Before any merger can go through, the FCC needs to examine what happened to the small business spectrum auctions as the first step is to get accurate data.

Read more about the FCC's Data Quality.

<http://www.niemanwatchdog.org/index.cfm?fuseaction=background.view&backgroundid=00418>

3) The Previous SBC-AT&T Merger Commitments and the Enforcement of those Commitments Were Useless. However, the Harms Post-Merger in Every Case Were Severe.

AT&T = Southwestern Bell (SBC), Pacific Telesis, SNET, Ameritech, BellSouth & the former-AT&T.

In every Bell merger the commitments were a joke and the harms included closing down major broadband deployments in almost every state in the US, not to mention higher prices and a lack of actual competition. For example:

By 2000, now Pacific Bell, now AT&T-California, was to spend \$16 billion dollars and upgrade 5.5 million homes with fiber optics, replacing the old copper wiring. After SBC merged with Pacific Telesis, in 1997 SBC canceled all plans even though customers were charged (and are still being

charged) today for these network upgrades.

By 2007, all of Connecticut should have been completed with I-SNET, a \$4.5 billion dollar fiber optic upgrade of the entire state. After the merger with SBC in 1998 the networks under construction were closed down.

By 2002, now-AT&T should have been competing for wireline services in 30 cities outside their region or pay a fine of \$1.2 billion dollars based on the SBC-Ameritech merger. Verizon's merger with GTE made statements that they would be in 24 cities outside their own territories by 2003. No wireline competition ever resulted from the mergers. Worse, in the SBC-Ameritech merger, the FCC required 3 customers per city.

By 2007, based on the AT&T-BellSouth merger, 100% of AT&T's 22 states should have had at least 200kbps services available to everyone, residential and businesses alike as well as offered \$10 DSL to new customers. Never happened.

It should be clear that the FCC does not have the ability to create enforceable merger commitments so any expectation of change needs to be based on probable harms, not possible benefits.

Read How the Mergers that Formed AT&T Harmed Customers.

<http://www.teletruth.org/docs/SBCMergerharms.pdf>

4) The Wireless Companies are in Collusion with their Wireline Counterparts - Overcharging Every Customer, including Lifeline, Low Income and Seniors, as well as Harming US Broadband and the Economy.

To be continued.

Conclusion: We have laid out some serious concerns and hope that Congress acts to first prevent the AT&T-T-Mobile merger then start proceedings for a wireless divestiture. We will be presenting new materials over the next few months and look forward to work with members of Congress to protect the public interest and America's economic growth.

Teletruth is a nationwide, independent customer advocacy group not affiliated with any corporation or political party.